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7 **UNITED STATES BANKRUPTCY COURT**
8 **EASTERN DISTRICT OF WASHINGTON**

9 In re:

10 GIGA WATT, Inc., a Washington
11 corporation,

12 Debtor.

Case No. 18-03197 FPC 11

The Honorable Frederick P. Corbit

13 **DECLARATION OF MARK D.**
14 **WALDRON IN SUPPORT OF**
15 **CHAPTER 11 TRUSTEE'S MOTION**
16 **FOR ORDER (I) APPROVING ML**
17 **AND EDH SETTLEMENT AND**
18 **GRANTING RELATED RELIEF**
19 **AND (II) SHORTENING TIME**
20 **THEREON**

21 I, Mark D. Waldron, declare as follows:

22 1. I submit this declaration in my official capacity as the duly-appointed

23 Chapter 11 Trustee (the “Trustee”) in the above-captioned case and in support of
24 the *Chapter 11 Trustee's Motion for Order (i) Approving ML and EDH Settlement*
25 and *Granting Related Relief and (ii) Shortening Time Thereon* (the “Motion”),

which I have read and approved. The statements set forth herein are based on my
investigation of the affairs of the above-captioned debtor (the “Debtor”), which is

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1 ongoing, and, except where otherwise noted, are based on personal knowledge. If
2 called as a witness, I would and could competently testify thereto.

3 2. Unless otherwise defined herein, capitalized terms have the meanings
4 ascribed to them in the Motion.

5 3. In 2017 and 2018, Giga Watt, Inc. ("Giga Watt" or "Debtor")
6 expanded its operations at the ML Facility by building eight (8) sheds, known as
7 Giga Pods or Pods. The Allrise Financial Group, Inc. and Allrise IP Holding, Inc.
8 ("Allrise") purchased one of the pods, Pod 1, and sublet the underlying ground
9 from the Debtor. EcoDiversified Holdings, Inc. ("Diversified") purchased Pod 8
10 and sublet the underlying ground from the Debtor. (A third pod, located at the
11 Debtor's site near the Pangborn airport in East Wenatchee, WA, may have been
12 operated by Red Team Investments, Inc.) Giga Watt operated the remaining six
13 Pods as well as a datacenter located on the premises. Giga Watt's rent obligation
14 at the ML Facility was greater than \$60,000 per month. This rent obligation
15 excluded the cost of electricity which the landlords for the ML Facility (the "ML
16 Landlords") billed separately.

17 4. The Grant County Public Utility District has raised electrical rates for
18 cryptocurrency miners to the point that crypto-mining in Grant County,
19 Washington is not profitable. On March 13, 2020, I shut down operations at the
20 ML Facility because operations were not profitable.

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1 5. The ML Landlords have asserted that the estate owes them the sum of
2 \$1,156,764.03 in administrative rent, unpaid post-petition electricity bills, and
3 fees, including the Minimum Charge. I dispute this assertion. In particular, I
4 contest a significant set of charges related to a “power pathway.” Nonetheless, I
5 concede that the premises have not been vacated.

6 6. This settlement is related to two other agreements that I have entered
7 into with the common aim of returning the ML Facility premises to the ML
8 Landlords in an efficient and orderly manner. The first agreement is with Allrise,
9 pursuant to which I will abandon Pod 1 of the ML Facility and allow Allrise to
10 remove 100 miners from the ML Facility. No timely objection to the motion for
11 approval of this settlement has been served and I will upload an Order approving
12 that settlement shortly. The second agreement provides for the sale of equipment
13 (the “ML Equipment”) that the ML Landlords agree belongs to the estate and that
14 is located at the ML Facility.

15 7. Pursuant to the agreement that is the subject of this Motion, the estate
16 will satisfy all the ML Landlords’ claims against the estate by paying on an
17 administrative basis the sum of \$169,128.43 (the “Settlement Payment”).
18 Diversified is making a payment to the ML Landlords in the amount of
19 \$19,128.43. I will abandon the six Giga Pods and any equipment that is not
20 transferred or sold pursuant to the agreements with Allrise and with the buyer of
21 the ML Equipment.

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1 8. The leases between the Debtor and the ML Landlords will be deemed
2 rejected as of March 13, 2020 and all the agreements between the Debtor, the ML
3 Landlords, and Diversified that the Court approved will be deemed terminated as
4 of March 13, 2020.

5 9. All the parties are granting each other full mutual releases.

6 10. I have determined that the Giga Pods located at the ML Facility (other
7 than Pod 1 and Pod 8 which are owned by third parties) are of inconsequential
8 value and benefit to the estate and that they should be abandoned. 11 U.S.C.
9 § 554. The Giga Pods cannot be moved without using a crane or other heavy
10 equipment. I have nowhere to put them. They are too specialized to be used
11 outside of cryptocurrency mining and cannot economically be repurposed. For
12 example, an entire wall of each Giga Pod has holes in it for fans. The Giga Pods
13 have no running water or heat. In my judgment, the foregoing justifies
14 abandonment, regardless of the settlement.

15 11. If rent accrued at the amount provided by the leases with the ML
16 Landlords, then the amount owed since March 13, 2020 would be more than
17 \$600,000. I also acknowledge unpaid post-petition electricity fees that accrued
18 before March 13, 2020.

19 12. The estate would be the defendant in any proceedings. Therefore, I do
20 not believe that the collectability prong of the analysis applies.

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1 13. The ML Landlords have asserted a significant set of fees, known as
2 power pathway charges, that the Trustee disputes. Analyzing these charges would
3 require a complete accounting that would be time consuming and expensive. By
4 the same token, I concede that I not been able to vacate the ML Facility and that
5 administrative rent is accruing. Arguing over the proper amount of "power
6 pathway charges" and the reasonable rate for this hold-over rent would be
7 distracting and time consuming. Meanwhile, the administrative hold-over rent
8 would continue to accrue.

9 14. I have determined that the ML Facility is not valuable. Furthermore, I
10 conducted an avoidance analysis regarding the pre-petition transfers that are
11 described in particular in the Recitals of the Settlement Agreement, a true and
12 correct copy of which is attached as Exhibit B to the Motion. That analysis did not
13 reveal meaningful preference or fraudulent transfer liability.

14 15. In summary, the Giga Pods are of inconsequential value or benefit to
15 the estate. The Settlement Agreement releases the estate of a general unsecured
16 claim in the amount of \$255,265.47 and of an administrative claim in the amount
17 of \$1,156,764.03 in administrative rent, unpaid post-petition electricity bills, and
18 fees in exchange for a payment by the Trustee of \$169,128.43.

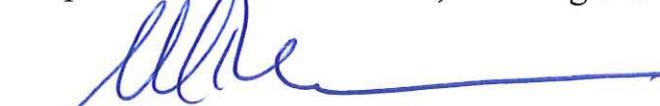
19 16. Time is of the essence. The Settlement requires that I vacate the
20 premises as soon as possible so that the ML Landlords may re-let the premises.
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1 17. I am serving notice of this Motion to the Master Mailing List, which
2 includes the U.S. Trustee. A true and correct copy of the Notice is attached to the
3 Motion as Exhibit C.

4 To the best of my knowledge, I declare under penalty of perjury that the
5 foregoing is true and correct.

6 Executed this 23rd day of September 2020 in Tacoma, Washington.



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8 Mark D. Waldron, in his official capacity as
9 Chapter 11 Trustee in the above-captioned case

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